

Message Text

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PAGE 01 THE HA 01939 171017Z

43

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 FRB-01

INR-07 NSAE-00 TRSE-00 XMB-04 OPIC-06 SP-02 CIEP-02

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E.O. 11652: N/A

TAGS: EFIN, NL

SUBJ: ECONOMIST COMMENTS ON DUTCH ECONOMY

1. LITTLE ROOM FOR PRESENT ECONOMIC SITUATION TO IMPROVE, CONTINUED RISE IN UNEMPLOYMENT, AND LOWER INFLATION RATE. THESE ARE THE PROJECTIONS BY THE INFLUENTIAL CENTRAL PLANNING BUREAU (CPB) IN AN X-RAY OF DUTCH ECONOMY PUBLISHED LAST WEEK.

2. IN ITS ANALYSIS, CPB WARNS THAT, ALTHOUGH ECONOMIC PICTURE IN 1975 IS DETERMINED TO LARGE EXTENT BY EXTERNAL FACTORS, FOLLOWING DISQUEITING TRENDS IN DUTCH ECONOMY ARE ADDING TO ECONOMIC CONCERN:

-RAPID INCREASE OF REAL WAGE COSTS PER UNIT OF INDUSTRIAL OUTPUT

-RISE OF EARNED INCOME SHARE TO CRITICAL LIMIT OF 80 PERCENT OF NATIONAL INCOME

-INCREASE IN BURDEN OF TAXES AND SOCIAL SECURITY
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PAGE 02 THE HA 01939 171017Z

CONTRIBUTIONS

-FURTHER DETERIORATION OF DUTCH COMPETITIVE POSITION
INTERNATIONALLY.

3. TO CHECK UNFAVORABLE TRENDS, CPB CALLS FOR STRINGENT
CONTINUATION OF PRESENT GOVERNMENT POLICY AIMED AT STIMULATING
DOMESTIC DEMAND BY EASING FISCAL AND SOCIAL BURDEN, STIMULATING
LABOR MARKET AND SUPPORTING AILING BUSINESS.

4. CPB FORECASTS ARE AS FOLLOWS BY CY 1975:

-RISE IN UNEMPLOYMENT TO 4.5 PERCENT AVERAGE FOR YEAR

-WAGE INCREASE OF 12.5 PERCENT, COMPARED WITH 15 PERCENT
IN 1974

-INCREASE IN PRICE LEVEL OF PRIVATE CONSUMPTION BY 9.5
PERCENT AND OF FAMILY CONSUMPTION BY 8.5 PERCENT (VERSUS
10 AND 9.5 PERCENT, RESPECTIVELY, IN 1974)

-INCREASE IN VOLUME OF PRODUCTION IN PRIVATE SECTOR OF NOT
MORE THAN ONE PERCENT (TWO PERCENT IN 1974)

-NO GROWTH IN VOLUME OF EXPORTS WHILE IMPORTS INCREASE BY
ONE PERCENT

-IMPROVEMENT IN TERMS OF TRADE BY NOT MORE THAN THREE
PERCENT DUE TO INCREASE OF IMPORT PRICES AND HIGHER PRICES
FOR EXPORTED NATURAL GAS.

-SURPLUS IN BALANCE OF PAYMENTS ON CURRENT ACCOUNT OF FIVE BILLION
GUILDERS (1 DOLLAR-2.43 HFL) OR 2.5 PERCENT OF
NATIONAL INCOME, THANKS MAINLY TO LARGE GAS EXPORTS.
GOULD

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